

NEWS RELEASE

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DeNUCCI CITES POTENTIAL \$50 MILLION MEDICAID INCREASE FOR LOCAL SPECIAL EDUCATION PROGRAMS

State Auditor Joe DeNucci reported today that Massachusetts could be eligible for up to \$50 million in additional annual federal Medicaid funding for local special education costs through changes in billing methodology and improved billing for all eligible students.

In a report to the Governor and the Legislature, DeNucci called on the state Office of Medicaid to adopt his program recommendations to maximize federal reimbursements. This is in addition to more than \$560 million in federal funds that Massachusetts has received since DeNucci first recommended in a 1991 report that the state utilize Medicaid reimbursements to help ease the cost of special education on cities and towns.

“This program has been a tremendous success,” DeNucci said. “But now we have an opportunity to do even better.”

The funding is available through the Massachusetts Municipal Medicaid Program, in which school districts receive 50 percent federal reimbursement for direct services to special needs students as well as administrative activities that support the state’s Medicaid program. Local expenditures serve as the state match for federal aid, so there is no impact on the state’s own Medicaid expenditures.

According to DeNucci’s report, Massachusetts could dramatically increase its federal funding by changing the way communities bill for special education services. Currently, billings are “bundled,” meaning that they reflect the average amount of services to special needs students in a community rather than the specific kinds of medical services provided. By switching to a fee-for-service billing system, which would be based on higher rates, Massachusetts could increase its Medicaid reimbursements by up to \$50 million a year.

DeNucci acknowledged this might create more paper work for school districts, but said the potential return would far exceed any additional costs at the local level.

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In the report, DeNucci also called on the Legislature to earmark these new monies for local school systems. A survey of special education administrators indicated that the lack of earmarking is a disincentive to going after this source of federal revenue.

DeNucci further recommended that the state's Office of Medicaid work with the state Department of Education to increase the number of claims filed by participating school districts under this program. The report found that up to \$10 million in additional federal funds could be generated each year if districts improve eligible student participation and expand the state's Medicaid plan to include certain services not currently billed for.

In response to the report, the Office of Medicaid expressed general agreement with most of DeNucci's recommendations and indicated it is working toward implementing a number of them, including changing the billing methodology in order to maximize federal revenues.

"This untapped source of revenue can be of enormous help to cities and towns, particularly some of our most fiscally distressed cities," said DeNucci. "In this time of fiscal constraints at the state and local level, we need to find every additional dollar that is available. I hope this report results in additional support for these important special education programs."

NOTE: The full text of the report is available at:

www.state.ma.us/sao/Medicaid%20FINAL%20Report_060704.pdf